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LIMDIS

1. Deptofficer in last week has discussed European supply situation with several oil companies, most notably Standard Oil of New Jersey. Consensus is that measures already taken (e.g. elimination of tanker cross-hauls) and those which can be expected (e.g. further increase in US production by at least 250,000 barrels/day) will allow Europe to get through winter (October through April) with only modest (i.e. 8 days) use of stocks beyond normal winter draw-down. This assumes no further deterioration in Mediterranean supplies.

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E:ORF:FSE:JEAkins:wz	9/26/70	20681	E/ORF - Julius L. Katz

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2. If production of all major oil companies is shut down in Libya as result of failure of current negotiations, net loss of ~~deliveries~~ deliveries to Europe would be ~~about~~ about 1.2 million barrels/day and stocks would be drawn down an additional 18 days in course of winter, or a total of 26 days.

3. If Iraq takes advantage of current oil shortage to force ~~IR~~ Iraq Petroleum Company to come to terms, and ~~shuts~~ shuts down Kirkuk pipeline, net loss to Europe ~~would~~ would be 900,000 barrels/day, and stock draw down would be an additional 12 days.

4. OECD figures indicated European stocks now average about 70 days of consumption. Jersey states about 20 days of this are stocks "in the pipeline", leaving only about 50 days of working stocks.

5. Comment: It seems probable that Europeans would impose restrictions on use or, more probably, would make arrangements directly with Libyans and Iraqis before they would permit

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decline in their stocks of almost forty days -- particularly if there appeared to be no chance of rebuilding them in near future. Posts comments would be most welcome.

END.

ROGERS

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